

## **VERMONT STATE TEACHERS' RETIREMENT SYSTEM**

Meeting of the Board of Trustees – In-House Meeting

**August 12, 2014**

### **Members present:**

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2015

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2016

JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2017 *via telephone*

THOMAS CANDON, representing Commissioner of Department of Financial Regulation

LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2016

VAUGHN ALTEMUS, representing Secretary for the Agency of Education

ELIZABETH PEARCE, VT State Treasurer

### **Members absent:**

Active Member Alternate Representative - vacant

### **Also attending:**

Laurie Lanphear, Director of Retirement Operations

Joshua McCormick, Assistant to Kathie Kretzer

Matt Considine, Director of Investments

Nick Foss, Investments Analyst

Karl Kroner, Chip Sanville, and Valerie Baker, Great West Retirement Services

The Chairperson, Jon Harris, called the Tuesday, August 12th, 2014, In-House meeting to order at 9:00 a.m., which was held in the Treasurer's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

## **AMMENDMENT TO AGENDA**

**On motion by Ms. Pearce, seconded by Mr. Altemus, the Board unanimously voted to amend the agenda to include a request from the treasurer's office to secure through FIAT services to comply with the new GASB 67/68 pension requirements. With this vote, the board also approved to rearrange the agenda items as Ms. Pearce could not stay for the full In-House meeting.**

### **ITEM 1:      Request from the treasurer's office to secure through FIAT services to comply with the new GASB 67/68 pension requirements**

Ms. Pearce spoke about the new GASB 67/68 pension requirements. GASB 67 will be in effect for the 2014 fiscal year while GASB 68 will be in effect for fiscal year 2015. There will be limited financial impact in fiscal year 2014 with more financial impact in fiscal year 2015.

Ms. Pearce also stated that the AICPA is requiring more audits of census data at the local level, including on site reviews. The suggestion is 25 Teacher system audits and 35 Municipal system audits. These numbers are open to discussion as Ms. Pearce would like to see the numbers reduced.

In Conclusion, Ms. Pearce stated that an audit firm will need to be hired. These audits cannot be done in-house. A RFP will need to be issued to comply and the RFP will be limited to 4-5 audit firms to get an idea of costs.

**On motion by Mr. Mackey, seconded by Mr. Candon, the Board unanimously voted to authorize the Treasurer's office to issue an RFP for purposes of getting proposals/bids to audit the employers in the Municipal system for compliance with GASB 67/68 and report back to the board for consideration.**

**ITEM 2:      Consideration for Fossil Free fund option for 403B**

Mr. Considine spoke of the Pax World Global Environmental Markets fund and the 403B program option, which is a Fossil Free option. He was requested by the VSERS board earlier this year to start research on these programs. These programs are in the lineups for the 457 Deferred Comp and the DC plan. Mr. Considine also explained that since these are new programs, there is not a track record of results at this time and that Morning Star doesn't have a rating on this program as of now.

Ms. Pearce indicated that although Morning Star does not have a rating yet, Great West has reviewed these programs and has put them on their "pass" list. She also mentions these programs meet fiduciary standards.

Mr. Harris would like separating all SRI's as investment funds, which Ms. Pearce thinks is a good thing and members have asked for this.

**On motion by Ms. Pearce, seconded by Mr. Candon, the board voted to direct the staff of Great West to implement inclusion of the Pax World Global Environmental Markets Fund and the 403B program as and to separate SRI's as investment funds.**

**ITEM 3:      Discuss Asset/Liability package from VPIC meeting**

Ms. Pearce indicated this issue came up because the question was raised that since VPIC assets are different for all three systems (Municipal, Teachers, State Employees), why are we investing in all of them the same way in all of them the same way? Does that make sense and is there much difference?

Mr. Considine then went over the charts and information that was presented at the latest VPIC meeting. Here are the highlights:

- Net operation result: Contributions and Benefits paid out are in the positive.
- Level of investment dollar amount is important from the perspective of increasing assets.
- There has been a 6.5% decline of Active Teachers from 2009 to 2013.
- Although there are still payments due, we are no longer adding to the credit card.
- Over the past 11 years, the net investment result is the single largest dollar contributor to degrading unfunded liability which is a positive experience for VSTRS

In conclusion, there is no difference with investing all three programs the same way.

Ms. Pearce then provided an update on the Buck lawsuit with providence. She said that it does not have the same Actuaries and there should be no direct impact on VSTRS.

**ITEM 4:      Gathering questions about disability process**

Ms. Pearce stated that the Retirement office is engaged with the AAG's office to come up with a process for disability cases that come up for review and then need to be denied disability. This is a tough process because if someone is denied, how do we go about getting someone back in the workforce?

Ms. Lanphear added that she has been in contacts with other states about their disability process and other states are having this same problem.

Mr. Harris then suggested that we have a shared draft list of all questions and to look back at previous meeting minutes for additional questions. He also stated that he would like to know more about the Hearing officer's role with disability, who they are, what are they paid, their responsibilities and processes, etc.

Mr. Mackey asked if someone is denied disability after their one year review, do they have any rights to their old job back.

**ITEM 5:      VPAS update and discuss timeline for a policy guideline manual**

Ms. Pearce gave a summary. VPAS went live in February; the certificate of completion was issued two weeks ago. This has saved the retirement system \$300K. The process is in the last phases now, which these phases are generally in the operation mode. VPAS was used for the retired teachers in July, 2014. Ms. Pearce also wanted to compliment Ms. Lanphear and all her staff as they did a great job in the month of July and the VPAS project is at least one million dollars under budget. Ms. Deliduka suggested we inform the retirees via Newsletter.

Ms. Lanphear then talked about the policy manual and what parameters the board is looking for in the context of the policy manual. The board was in agreement that they would want policy and procedure manuals for all operations associated with Teachers Retirement as this

would help make sure things are done uniformly. Ms. Lanphear did mention that all retirement specialists have a checklist for the retiree's on what they need to do, what the specialist needs for completion, etc.

Mr. Harris then stated that he would like to see this used as a tool and that these manuals and policies are not being done just because it was something to do. Mr. Harris then stated the checklists should be priority as well as working hours billable for retirement and a FAQ about how part-time/full-time statuses are figured. He would also like an update at the Spring In-House meeting.

(A recess was taken from 11:00 a.m. to 11:15 a.m.)

(Mr. Norris and Ms. Baker entered the meeting via telephone at this time)

**ITEM 6: Great West Presentation**

Ms. Baker went over a piece of the Quarterly Plan Review for quarter 2 for the Vermont State Teachers Retirement Plan. She stated that there were not a lot of changes over the last quarter. She was asked if there was still an issue with the outflow of funds with PIMCO. Ms. Baker stated that it will take a while to overcome those bad quarters and that PIMCO also has had a change in management and the Firm is restructuring their leadership.

Ms. Baker also stated that T. Rowe Price is doing really well. For example, the 2010 retirement group has 54% in equity, compared to the average of 46% from other firms. She contributes this to three factors: allocation decisions, cost, and how the underlining funds have done (Mutual Funds)

(Ms. Baker left the meeting at this time)

Mr. Kroner then shared more information about quarter two of for the Teachers Retirement Fund. He stated that no funds were lost in quarter two and that contributions were 2.7 million. The end of quarter two also saw 2061 participants and out of that, 1560 of those had contributed and average of \$1.777. There was also \$279K in roll-ins for quarter two, which brings the year total to \$845K.

(Mr. Kroner left the meeting at this time)

Mr. Sanville went over the SDIA plan quarter 2 summary. He stated that assets have gone down 1.5 million since quarter one which is 2.3%. Quarter 2 had 1,575 participants which is down by 117 for the year. Of all the participants of SDIA, 73% of them are on the 65+ plan which make up 87% of the funds.

(Mr. Sanville, Mr. Considine, and Mr. Foss left the meeting at this time)

(A recess was taken from 12:05 – 12:15)

**ITEM 7:**      **Approve the minutes of July 10, 2014**

**On motion by Mr. Mackey, seconded by Mr. Altemus, the Board unanimously voted to approve the minutes of July 10, 2014, as submitted.**

**ITEM 8:**      **Discuss/Act on Disability Retirement for**

- Anne Christie
- Cynthia Tomczyk

**On motion by Mr. Mackey, seconded by Mr. Altemus, the Board unanimously voted to accept the recommendation of the Medical Review Board for the disability retirement for Anne Christie, with a one year review**

**On motion by Mr. Mackey, seconded by Mr. Candon, the Board unanimously voted to accept the recommendation of the Medical Review Board for the disability retirement for Cynthia Tomczyk, with no review**

**ITEM 9:**      **Discuss VSTRS Medicare Supplement coverage options**

It was stated that counselors in the retirement office should not be selling/advising on health care plans. The office should come up with a FAQ for soon to be retiree's pertaining to health care options, sign up, coverage, etc. Ms. Lanphear then indicated that she has a FAQ started and if there is anything we can add, to let her know.

Ms. Deliduka also mentioned that the next time BCBS sends out a mass mailing for retiree's health care, it will first be sent to the Board members and Ms. Lanphear for review first.

**ITEM 10:**      **Update/discuss the status of trustee manual**

The Board reviewed two tables of contents from older trustee manuals. It was found that some of the contents are now online and are no longer needed in a manual. However, a manual will still be made, albeit a lot smaller than the older trustee manuals. The new manuals will include but not limited to, Board Directory/meeting schedule, Vermont State Statutes, bulletin 3.4 and 3.5, and 403B.

There will also be an internal directory for just the board which will include phone numbers and email addresses.

**ITEM 11:**      **Update/discuss administrator average compensation verification form**

Ms. Lanphear mentioned that the average compensation verification, though not popular, is working.

**ITEM 12:     Discuss Implementation of “understanding your pension” workshops for members**

Mr. Harris stated that this would be great to do, but does not want to stretch the retirement offices resources thin as they have a lot of different work to do.

Ms. Lanphear suggested a bulletin for new teachers.

It was then discussed that when the workshop is set up, that it might be more beneficial to have these workshops for people who have just become vested at 5 years of service.

**ITEM 13:     Report the number of members that have been processed for retirement this summer**

Ms. Lanphear reported that 339 retired teachers for the month of July, with 7 applying so far in August with retirement dates going back to 7/1/14. Out of the 339, 278 were processed through pension gold and excel spreadsheets. 91 Municipal and 31 state employees retired in the month of July. Between VPAS and the spreadsheets, there were 777 total retirements in July.

**ITEM 14:     Any other business to come before the Board**

Mr. Mackey would like a future agenda item(s) – update of Funding report and update on the Historical funding reports.

Mr. Norris indicated that he would like to attend the upcoming N.C.T.R. conference.

**ITEM 15:     Adjournment**

**On motion by Mr. Altemus, seconded by Mr. Candon, the Board unanimously voted to Adjourn at 1:11 p.m.**

**Next Meeting Date:**

The next scheduled VSTRS meeting is a Conference call meeting on September 11, 2014 at 3:30 p.m.

Respectfully submitted,

Kathie Kretzer  
Executive Secretary to the Board